CCBI SECURITIES | RESEARCH

中国经济评论：短期贷款提速，信贷超预期

China Economics Update: Credit growth above expectations, due to short-term lending

9 月银行新增贷款和社会融资总额双双超预期，主要受益于短期融资提速。降准后利率走低为短期贷款回弹创造了条件。

相比之下，中长期贷款的增长较为温和，表明近期货币宽松对中长期居民和企业信贷需求作用有限，与我们之前的预期一致。

我们预计四季度信贷增速持稳，主要是因政策基调维持有限宽松：央行将保持政策利率不变、且政府出台大规模财政刺激的可能性不大。

Short-term lending was the main driver of upside surprise from China's new yuan loan and TSF growth in Sep. The decline in the short-term rate after the RRR cut might have contributed to the rebound in short-term loans.

By comparison, the increase in medium- and long-term borrowing was modest, indicating only a limited rebound in housing and investment demand after the latest round of monetary easing.

We expect credit growth to hold stable in 4Q19F as the PBoC keeps policy rates unchanged and as the government refrains from large-scale fiscal expansion.

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				Sep 2019			2019F	
Main indicators	**Sep-18**	**Jul -19**	**Aug-19**	**BBG**	**CCBIS**	**Actual**	**BBG**	**CCBIS**
TSF (RMB b)	2,134	1,084	2,018	1,900	1,820	**2,270**	-	-
New loans (RMB b)	1,380	1,060	1,210	1,360	1,300	**1,690**	-	17,000
M2 YoY (%)	8.3	8.1	8.2	8.2	8.2	**8.4**	8.5	8.4
Loans YoY (%)	13.2	12.6	12.4	-	-	**12.5**	-	12.5
TSF YoY (%)	10.6	10.9	10.8	-	-	**10.8**	-	10.7

Credit growth holds steady on a rebound in short-term lending

TSF monthly increase reaches a three-month high…

Total social financing (TSF) in Sep increased by RMB2,270b, nearly RMB300b higher than the previous reading and beating expectations on the upside (BBG median: RMB1,900b, CCBIS: RMB1,820b). Outstanding TSF growth remained unchanged at 10.8% YoY in Sep. Average growth in 3Q edged up 0.1 ppt from 2Q19.

…thanks to short-term bank loans

Bank loans increased more than expected to RMB1,690b in Sep (BBG median: RMB1,360b, CCBIS: RMB1,300b) versus a RMB1,210b increase the previous month. The surge was led by corporate short-term loans (RMB255.0b in Sep vs -RMB35.5b in Aug). Meanwhile, long-term bank borrowing from both households and corporates strengthened slightly. Sep outstanding bank lending growth edged up to 8.5% but average growth in 3Q eased from 2Q19.

But shadow banking credit continued to contract amid tightening regulations. The contraction was led by trust loans and bills (-RMB67.2b and -RMB43.1b, respectively, in Sep) while entrusted loans registered a smaller decline of -RMB2.1b following a -RMB51.3b contraction the previous month. Outstanding shadow banking credit contracted at a slower pace in Sep.

Special LGB issuance slowed on limited quota. At the end of Aug, over 91% of the annual issuance quota of special LGB has been used up. Thus, net issuance of special LGBs slowed in Sep to RMB224b from RMB321b the previous month (Fig 1). Net issuance of corporate bonds also fell (RMB103b in Sep vs RMB261b in Aug) amid a modest pickup in bond yields.

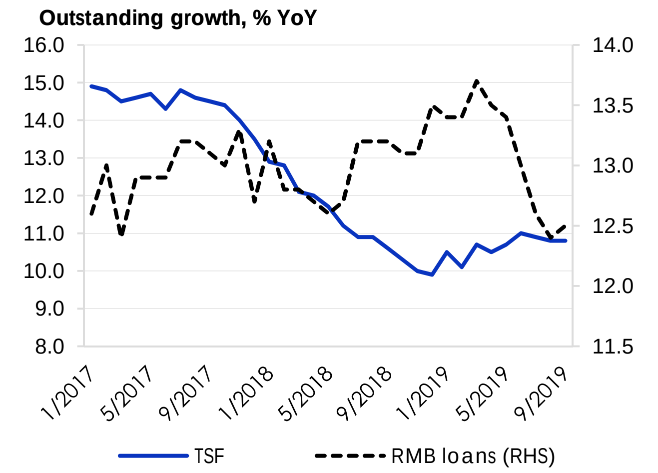
Data revisions have little impact on overall credit growth. The TSF definition was revised to include exchange-traded ABS. However, the amount of the change was too small to have a meaning impact on overall credit growth (average +0.1 ppt since 2017).

Our view

Despite the upside surprise in the credit figures, the increase in medium- to long-term borrowing demand was moderate. Instead, the largest increase in lending is in short-term credit, which may have been driven by easy short-term liquidity following the RRR cut.

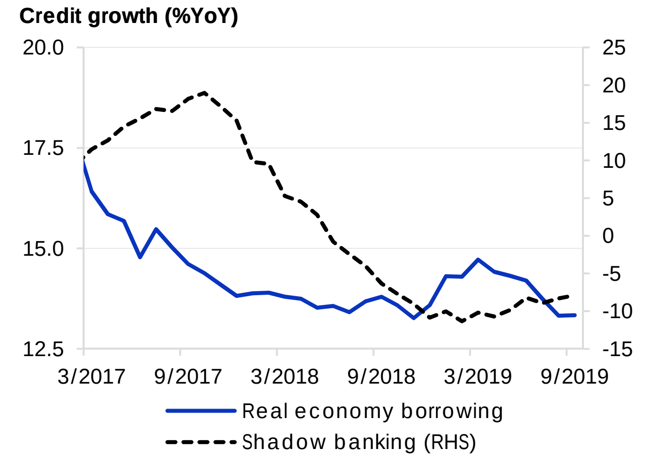
Further pickup in credit cycle likely to be limited. Given surging headline inflation and healthy credit growth, we expect the central bank to make no changes to OMO rates in 4Q19 even though another RRR cut is likely. Any downward adjustment of loan rates is therefore likely to be limited, providing limited stimulus to boost loan demand. In addition, the quota of special LGBs was used up in Sep, and so far there has been no confirmation by the government that it will raise the annual issuance quota, which would act to curtail expansion of non-bank credit. We expect TSF growth of around 10.7% by end of the year, slightly below 10.8% at the end of Sep.

Fig 1. Bank loan growth rebounds



Source: PBoC,CEIC, CCBIS

Fig 2. As LGB growth slows, real economic borrowing continues to ease



Source: PBoC,CEIC, CCBIS

Monthly loan increases (RMB b)	Sep 2018	3Q18 (avg)	4Q18 (avg)	1Q19 (avg)	2Q19 (avg)	3Q19 (avg)	Aug 2019	Sep 2019
Households	753	696	558	603	650	641	654	759
- Short term	313	250	187	143	190	180	200	271
- Long term	431	443	373	460	457	463	454	494
Corporates	681	648	399	1495	593	652	651	1007
- Short term	110	-56	-69	350	140	0	-36	255
- Bill financing	174	274	227	261	132	183	243	179
- Medium and long term	380	403	223	854	303	453	429	564

Monthly TSF increases (RMB b)	Sep 2018	3Q18 (avg)	4Q18 (avg)	1Q19 (avg)	2Q19 (avg)	3Q19 (avg)	Aug 2019	Sep 2019
Bank loans	1,367	1,286	881	2,105	1,239	1,263	1,280	1,721
Equity financing	27	20	17	18	22	38	26	29
Off-balance-sheet financing	-289	-348	-210	20	-167	-279	-101	-112
- Entrusted loans	-143	-120	-150	-76	-88	-51	-51	-2
- Trust loans	-91	-93	-75	28	3	-67	-66	-67
- Banker's acceptance bills	-55	-136	15	68	-81	-161	16	-43
Net issuance of LG project bonds	739	445	32	180	216	328	321	224

TSF outstanding growth (YoY %)	Sep 2018	3Q18 (avg)	4Q18 (avg)	1Q19 (avg)	2Q19 (avg)	3Q19 (avg)	Aug 2019	Sep 2019
TSF	10.6	10.8	10.1	10.4	10.7	10.8	10.8	10.8
Loans	13.2	13.2	13.2	13.5	13.3	12.5	12.4	12.5
Equity financing	9.2	9.8	6.8	4.6	3.5	4.0	4.0	4.1
Off-balance-sheet financing	-6.3	-4.1	-9.2	-10.6	-9.6	-8.4	-8.5	-7.9
- Entrusted loans	-7.7	-6.4	-9.8	-11.3	-10.4	-9.2	-9.3	-8.4
- Trust loans	0.2	3.8	-5.2	-8.5	-6.4	-4.8	-5.1	-4.9
- Banker's acceptance bills	-13.9	-11.2	-14.8	-12.2	-13.1	-13.5	-12.7	-12.8

** LG = local government*
Source: CEIC, CCBIS

Rating definitions:

Outperform (O) – expected return > 10% over the next twelve months
Neutral (N) – expected return between -10% and 10% over the next twelve months
Underperform (U) – expected return < -10% over the next twelve months

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